

Challenges Ahead of India Post – A Review

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ABSTRACT

India post is facing many challenges. It not only faces the challenge from private courier services in urban areas in delivery of mail and parcel services but also from financial institutions like bank and insurance companies. Heavy use of communication technology, especially in Mobile Telephone (3G, 4G services) and increasing use of Internet. One of the major problem faced by India post under Information Technology Modernization Project is that total 2,69,000 Gramin Dak Sewaks with minimum qualification of matriculate or below and without having any technical knowledge of Information and Communication Technology (ICT). In addition to this, many senior officials don't know the fundamentals of computer. Mass scale Closure/Merger /Relocation of post offices cannot be accepted by post when all other private couriers agencies are competing to trap urban customers of India Post by opening more and more outlets in urban areas for extending their services to the door steps of such customers. Year by year financial performance of mail services being declining. This paper gives an overview of challenges ahead of India Post.

Keywords: Department of Post, All India Postal Employees Union, Globalization, Transformation, Challenges, Universal Service Obligation, Information and Communication Technology etc.

INTRODUCTION

Indian postal service is one of the largest postal network in the world having 1,54,979 post offices all over the country. Initially India Post is having 23,344 post offices opened in urban areas prior to independence, serving to needs of 15,038 persons and covering 53 square miles area to 1,54,979 post offices, out of which 1,39,182 i.e. 89.81% in rural and 15,797 i.e. 10.19% in urban areas having 4,75,000 employees, out of which 2,06,000 Departmental and 2,69,000 Gramin Dak Sewak as on 30.03.2010, serving 7,176 people in average i.e. 5682 in rural and 20,346 in urban area covering an area of 21.2 sq. kms.

India post provide a range of services going beyond parcel and mail distribution to a well established post office saving bank, which operate more than 240 million saving account as on 31.03.2010.

OBJECTIVE

1. To study the steps taken by the India Post to face the challenges.

2. To review the literature based on challenges faced by India Post.

REVIEW OF LITERATURE

‘Indian Postal System: Challenges Ahead’ by Prof. V Ranganathan said that With the Internet, Mobile Telephone network revolution posing the threat of making the letter mail obsolete, postal monopolies throughout the world are undergoing restructuring and/or privatization. The ubiquitous post office, in Japan and India particularly, has also doubled up as a bank, exploiting the economies of scope of its vast number of branches and network, and mobilizing savings. Prime Minister Koizumi won the recent election on the plank of postal privatization, with the aim of better utilizing the deposits of the banking arm of the Japan Post through the market, rather than through ministerial allocations. Many other countries have successfully privatized their national postal monopolies.

Post, like Electricity and Telecom, is a network industry. Such industries have some common properties – they are natural monopolies, and therefore are subject to similar regulation and the prospect of unbundling to explore the possibility of competition in erstwhile monopolies.

Prof V Ranganathan of IIM Bangalore has been involved in research in the electricity and telecom sectors, and the postal system is a natural extension of his research interests.

India Post (IP) has been witnessing a decline and fall both absolutely, in terms of its own lofty standards, and relatively, falling behind its private sector and international competitors who have chipped away the courier market, and in some specific routes even the letter mail segment. Except for foreign mail and Speed Post, every other service is incurring a loss. The loss in turn is constraining the managerial autonomy of IP, with all major financial decisions being left to the Finance Ministry. Worryingly, IP is facing the apparent paradox of falling demand coexisting with low prices even in its subsidized Universal Service Obligation (USO) segment, like post cards and letter mail. In order to promote its Speed Post IP is cannibalizing its letter mail market, by delivering normal mail inordinately late. In its quest for commercialization, it is eroding its own good reputation and good will in its traditional areas, letter post and money order. The first phase of this research has focused on identifying the reasons for this fall in performance. (Ranganathan, December, 2005)

‘Overview of India Post and Perspective on Challenges Ahead’ by Dr. U. Srinivasa Raghavan highlighted some of the issue like Post office savings bank is one of the largest pension distributor and second largest life insurance provider. But India Post also confronts

big challenges recurring deficits, limited capital expenditure (at only 1 percent of total expenditure), the preponderance of staff costs (salaries, wages, pensions), an adverse net operating ratio (expenditure coverage ratio), lagging circles, unsuitable costing methods, non-economic pricing, and lack of commercial orientation.

India Post also needs to deal with the emergence of electronic alternatives to mail, improve the quality of its products and services to satisfy ever more demanding customers, and respond proactively to market competition. It is critical that India Post reinvent itself and respond to the challenges posed by globalization, corporatization, liberalization, technology, changing markets and environments, and ever more demanding customers.

Training is an important part of restructuring as well as an important tool for India Post. But the training needs to be reoriented to ensure that post office staff can move up the value and quality chain and help improve efficiency in the delivery of services. India as well as abroad, rural postal networks are costly to maintain and are usually underutilized and loss making. Some countries are seeking to lower network costs and increase commercial orientation through franchising schemes-partnering with private businesses to extend postal services to underserved remote and rural areas. In the United Kingdom the government gives Royal Mail an explicit subsidy for the provision of loss-making rural post offices. To increase revenues, public postal operators are increasingly diversifying the range of services distributed through post offices.

In the Republic of Korea all post offices with sufficient space provided to access free telecenters, thereby meeting a social and development objective on behalf of the government. Brazil has developed a post bank in partnership with a private bank, which targets mainly communities that previously lacked access to banks. They have also introduced an easy export product that simplifies overseas trade for small and medium-size enterprises.

To counter growing competition, postal operators must be given greater autonomy from government control so that they can operate on a more commercial basis. In Trinidad and Tobago introducing commercial management practices improved service and increased volume, revenues and productivity. (Raghavan, 2005)

‘Deutsche Post: Modernization- New Business Opportunities, Liberalization, Strategy and Structure, Competition’ by Mr. Amin Saidoun discussed about Postal reform in Germany was carried out in three phases in 1990 to 2006 to respond to the challenges of globalization, liberalization and digitization.

The first phase 1990 to 1997 focused on reducing cost, creating efficient processes and improving the quality of service in the domestic market. The second phase 1998 to 2000 focused on expanding the product range and offering the new services along the value chain. Value added services include direct marketing centers (Providing knowledge, information and solution to communication problems for direct mailers), Deutsche Post Print Com (providing high-volume print production for mass mailer) and pack stations (offering high-tech lockers where parcels are delivered and customers can pick them up after receiving notification through Short Message Service SMS). The third phase 2001 to 2006 consists of consolidating cross-selling potential, taking advantage of all possible synergies and developing integrated products and solutions. Cooperation with other service provider such as logistics, bank and insurance. (Saidoun)

‘Role of Technology for Postal Systems and Challenges for India’ by Mr. Sanjaay Mirchandani described ways to manage the postal sector business by using information technology as a key enabler.

There are four pillars of strategic change and development for a postal system: empower the customers, employees, and partners through great services and solutions; broaden the use of the post office and transform it into a gateway for value added services; measure operational costs, productivity, and customer value; and improve the productivity of service delivery and employees. Information technology supports all four of these pillars.

Both the United States and New Zealand have successfully used information technology platforms to integrate their postal networks. The U.S. Postal Service built a strong information technology infrastructure to support electronic postmarks and cost-effective delivery of services. And New Zealand Post introduced an e-government platform for delivering customized services. (Mirchandani)

‘Transformation of Indian Bank Into A Profit-Making, Customer Focused Business’ by Ms. Ranjana Kumar presented a case study on the restructuring of Indian Bank, a public sector organization.

Unlike India Post, Indian Bank needed immediate restructuring because of a serious financial crisis. This crisis resulted from two structural issues: weak business performance and a flawed human resource policy. A first attempt at reenergizing the bank failed in the late 1990s, costing the government significant resources to recapitalize the bank. In a second attempt a management advisory group was created. This group identified several critical problems: mismanagement, neglect of market opportunities, and a total lack of

accountability. Indian Bank Focused on completely reforming its top management and brought in a dynamic team of professionals. That introduced great flexibility in the bank's decision making. The management advisory group prepared a restructuring plan for 2000-03 that was so successful that after a decade of losses the bank earned a net profit in just two years.

Business performance and human resource management were the two important areas of improvement for Indian Bank. The government allowed a two-tranche recapitalization, and more than 3,000 staff left under the voluntary retirement scheme. The bank improved human resources by upgrading skills through training, improving promotion and transfer policies, and giving managers the freedom to make important decisions. It also defined key indicators for regularly measuring performance.

This example demonstrate that strategic reform is possible in the public sector and that it can transform organizations with complex financial and operational issues into vibrant institutions. For India Post the case study offers critical lessons on the importance of addressing employee motivation, establishing a dynamic management team, and pursuing a more aggressive marketing strategy in order to thrive in the market.

The international example and especially the restructuring of Deutsche Post-demonstrate that postal sector reform is a long-term process. They also show that reforms, to have a chance of success, must be based on clear consensus and support from the government. (Kumar)

‘Future of India Post’ written by Bruhaspati Samal put forward the thought that due to vast use of electronic media, more demanding customers, presence of Organised / Unorganised courier for mail service, Financial Institutions like banks and Insurance companies and above all the challenges of globalization, corporatization and liberalization, post should take the proper steps for his survival. He highlighted many points that taken by the India Post.

- a) **Business Development:** India post introduce several new products and services viz. Speed Post, Express Parcel Post, Business Post, Media Post, Retail Post, Direct Post, Bill Post, Bill Mail Service, Logistic Post, ePost, iMO, ePayment, World Net Express etc. which cater to the need of every citizen.
- b) **IT Modernization:** Project Arrow concept under “Look and Feel Good” concept introduced in April 2008. Initially 45 post offices were computerised. Computer hardware was upgraded in 1847 post offices and 500 post offices were modernized under Project Arrow. During 2009-10, 2920 post offices were computerised,

computer hardware was upgraded in 92 post offices and 500 post offices were modernized under Project Arrow. As on 31.03.2010 out of 25,563 departmental post offices, 14,415 post offices including those in the rural areas have been computerised. 1304 post offices have been networked through leased line so far with the national Data Center. Further 5170 post offices have been networked through broad band. The XIth plan proposal includes computerization and networking of remaining 10841 department post offices and all the 1,29,416 branch offices.

Being largest and oldest banking institution operate 240 million saving accounts and the outstanding balance under all eight national saving schemes SB, FD, RD, MIS, SCSS, PPF, NSC and KVP is Rs. 5828329.6 million as on 31.03.2010.

c) Potencial Service Provider:

Ministry of Statistics and Program Implementation (MOSP) has entrusted the job of collecting statistics for ascertaining the Rural Price Index from 1183 post offices across the country with effect from October 2009.

Railway Ministry and the Department of Post have signed a memorandum of understanding for providing railway ticket booking services at the post offices.

Department of Post is discharging the responsibility to disburse the wages to National Rural Employment Guarantee Scheme (NREGS) beneficiaries through post office saving bank account. (Samal, 2013)

SUGGESTIONS

From the literature review, the authors provided a number of suggestions on how best postal services can be improved in the country and how India Post meet the challenges ahead. Some of these suggestions included

1. Making postal services more available in the rural areas.
2. Improvement on the delivery time.
3. Advertising the services and the products that they are offering.
4. Improvement on the quality of services and products.
5. Introduction of more banking services.
6. Improvement on customer care services.
7. Availability of money for fast cash at the post office.

8. Internet cafes and telephone booths should be opened.
9. They should reduce the cost of their services and products.
10. Need of basic infrastructure and queue management system.
11. Instead of promoting products and services of outside agencies i.e. ICICI, UTI, Reliance etc. More revenue will be earned if India Post does directly any business instead of doing through intermediaries.
12. The Department does not find any financial autonomy and commercial flexibility to respond to market forces quickly and efficiently since it is functioning as a corporate agent of the Ministry of Finance. Full autonomy for operationalization of all Post Office Saving Bank (POSB) schemes needs to be retained with India Post.
13. India post aims at providing new and better services on par with global industry standards by computerizing and networking of all post offices using Client Server System.
14. Need of technologically and Management qualified personnel required.
15. Increase morale, productivity of its personnel.
16. To increase the post office employee's productivity, they should follow job rotation policy because similar nature of work makes an employee less productive and irritate.
17. Softskill training is provided to the employees but the implementation should be done from the Top-level management because they are the leaders. If a leader comes late in the office, the follower will also come late.
18. Employees satisfaction carries a greater value. A true and fair feedback system should be there where each employee can put their words without any fear.
19. Ask the suggestions from the employees.
20. A dress code should be there to form uniformity among employees and colour of the uniform should be in a light shade because it makes the working environment cool.
21. No employee should be allowed to work overtime.
22. An attractive infrastructure attracts the customers. Therefore attention should be given towards this side.
23. Postal saving bank should also provide higher rate of interest on deposit similar to bank.
24. Post should promote them through advertisement in newspaper, tv etc

CONCLUSION

India post is started to explore the new ways, new ideas to increase mail volumes and retain the existing customers they have. To stay in the competition, India post must continually modernize across all areas of their operations. They must carry out the business process reengineering to improve existing processes. Some of the key challenges and solutions to India Post are Postal Privatization, Managerial Autonomy; improve the quality of its products and services, Providing training to their employees, Improve parcel services, Tie-up with big e-commerce player, customer awareness programs and increasing banking services. The next

steps are to collect the feedback from postal employee, agent, and customers and will be evaluated through hypothesis test and questionnaire survey.

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